



Dr Nkosazana Dlamini Zuma Municipality

**Annual financial statements
for the year ended 30 June 2019**

Dr Nkosazana Dlamini Zuma Municipality

Annual financial statements
for the year ended 30 June 2019

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Abbreviations

GRAP	Generally Recognised Accounting Practice
HOA	Housing Operating Account
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
FMG	Finance Management Grant
mSCOA	Municipal Standard Chart of Accounts
AGSA	Auditor General of South Africa
SARS	South African Revenue Services
Legal form of entity	Municipality in terms of section 1 of the Local Government: Municipal Structures Act (Act 117 of 1998) read with section 155 (1) of the Constitution of the republic of South Africa (Act 108 of 1996)
Legislation governing the municipality's operations	Constitution of the Republic of south Africa (Act 108 of 1998) Local Government: Municipal Finance Management Act (Act no.56 of 2003) Local Government: Municipal Systems Act (Act 32 of 2000) Local Government: Municipal Structures Act (Act 117 of 1998) Municipal Property Rates Act (act of 6 2004) Division of Revenue Act (Act 1 of 2007)

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General Information

Members of Council

Mayor	Cllr PN Mncwabe
Deputy Mayor	Cllr PP Shange
Speaker	Cllr M B Banda
Exco Member	Cllr KA Hadebe
Exco Member	Cllr ZP Mkhize
Exco Member	Cllr D Adam
Councillor	MT Zikode
Councillor	WN Magoso
Councillor	MV Phoswa
Councillor	WM Khumalo
Councillor	L Mncwabe
Councillor	ZA Mtolo
Councillor	VAT Mthembu
Councillor	SK Jaca
Councillor	Q Dlamini
Councillor	ZP Gcume
Councillor	BK Zondi
Councillor	T Ndlovu
Councillor	NM Dlamini
Councillor	NC Mbanjwa
Councillor	SJ Phakathi
Councillor	NG Dlamini
Councillor	BC Mncwabe
Councillor	WN Kheswa
Councillor	ST Shabane
Councillor	ST Dlamini
Councillor	DR Ngcamu
Councillor	SB Mqwambi
Councillor	SV Zulu

Nature of business and principle activities

Municipality

Municipal demarcation code

KZN 436

Grading of local authority

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Municipal Manager

Mr NC Vezi

Chief Financial Officer

Mr KMB Mzimela

Registered Office

Municipal Offices, Main Street, Creighton

Physical address

Main Street
Creighton
3263

Postal address

P O Box 62
Creighton
3263

Bankers

First National Bank

Auditors

Auditor General of South Africa

Dr Nkosazana Dlamini-Zuma Municipality

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Accounting Officer's Responsibilities and Approval

The Accounting Officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the Accounting Officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and are given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

I, as the accounting officer, acknowledge that I am ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable me to meet these responsibilities, I have set standards for internal control aimed at reducing the risk of error or deficit in a cost-effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

I am of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

I certify that salaries, allowances and benefits of councillors, as disclosed in the notes to these annual financial statements are within the upper limits of the framework envisaged in section 219 of the Constitution, read in conjunction with the Remuneration of Public Office Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

I have reviewed the municipality's cash flow forecast for the year to 30 June 2020 and, in the light of this review and the current financial position, I am satisfied that the municipality has access to adequate resources to continue in operational existence for the foreseeable future.

The municipality has implemented National Treasury's Municipal Standard Chart of Accounts. The new chart is designed to enhance comparability between municipalities and therefore results in information disclosed being more understandable, relevant, reliable and comparable. Due to the implementation of the new chart, certain comparative figures needed restated to allow a comparison between the current period figures and the prior year's figures that were presented based on the old municipal chart of accounts.

The annual financial statements have been prepared on the going concern basis, were approved on 31 August 2019 and were signed on its behalf by:

Mr NC Vezi
Municipal Manager

Dr Nkosazana Dlamini Zuma Municipality

Annual financial statements for the year ended 30 June 2019

Statement of Financial Position as at 30 June 2019

	Note	2019 R	Restated 2018 R
ASSETS			
Current Assets		147,079,272	115,473,572
Value added tax receivable	2	464,568	2,351,204
Receivables from non-exchange transactions	3	22,500,679	22,101,444
Receivables from exchange transactions	3	2,428,638	2,184,808
Cash and cash equivalents	4	121,685,386	88,836,116
Non-Current Assets		382,172,315	352,982,578
Investment property	5	20,300,000	20,064,000
Property, plant and equipment	6	361,810,640	332,852,952
Intangible assets	7	61,675	65,626
Total Assets		529,251,587	468,456,150
LIABILITIES			
Current Liabilities		47,289,621	36,521,823
Finance lease obligation	8	677,739	357,281
Payables from exchange transactions	9	42,066,543	23,148,772
Unspent conditional grants	10	4,545,339	12,953,770
Post retirement health care benefits	11.3	-	62,000
Non Current Liabilities		17,397,248	16,740,682
Finance lease obligation	8	540,445	451,002
Provision for landfill site rehabilitation	11.1	8,805,803	8,534,680
Long service awards obligation	11.2	2,226,000	2,489,000
Post retirement health care benefits	11.3	5,825,000	5,266,000
Total Liabilities		64,686,870	53,262,505
Net Assets		464,564,717	415,193,645
TOTAL NET ASSETS			
Housing Operating Account	12	4,826,842	4,260,996
Accumulated surplus		459,737,874	410,932,649
Total Net Assets		464,564,717	415,193,645

Dr Nkosazana Dlamini Zuma Municipality

Annual financial statements for the year ended 30 June 2019

Statement of Financial Performance for period ended 30 June 2019

	Note	2019 R	Restated 2018 R
Revenue			
<i>Revenue from exchange transactions</i>			
Service charges - Refuses	14	3,305,343	3,127,388
Licences and permits		578,385	1,201,367
Rental of facilities and equipment		829,030	1,201,961
Fair value adjustment to Investment property		236,000	-
Other income	15	2,095,629	1,110,797
Gain on disposal of assets		378,283	-
Interest received	16	7,944,839	7,160,369
<i>Revenue from non exchange transactions</i>			
Property rates	17	31,362,107	28,750,658
Penalties on property rates	17	3,231,621	2,170,734
Government grants and subsidies	18	153,622,807	158,275,352
Adjustment to debtors provision		-	3,073,486
Assets donated		332,890	1,771,451
Traffic fines	20	1,182,510	997,730
Total revenue		205,099,444	208,841,293
Expenditure			
Employee related costs	21	52,690,534	50,499,161
Remuneration of councillors	22	11,200,471	10,754,630
Depreciation and amortisation	23	23,320,204	22,201,851
Finance costs	24	106,954	1,239,187
Debt impairment provision	25	10,173,114	-
Electrification Projects		1,460,976	1,737,377
Operational Costs	26	56,776,119	52,373,571
Total expenditure		155,728,372	138,805,777
Surplus for the period		49,371,072	70,035,516

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Annual financial statements for the year ended 30 June 2019

Statement of Changes in Net Assets for the period ended 30 June 2019

	Housing Operating Account	Accumulated Surplus	Total: Net Assets
			R
Balance at 1 July 2017	3,593,013	341,565,116	345,158,129
Changes in net assets			
Surplus for the period(restated)	-	70,035,516	70,035,516
Transfer Housing Operating Account interest on call	667,983	(667,983)	-
Total changes	667,983	69,367,533	70,035,516
Balance at 30 June 2018	4,260,996	410,932,649	415,193,645
Changes in net assets			
Surplus for the period	-	49,371,072	49,371,072
Transfer Housing Operating Account interest on call	565,846	(565,846)	-
Total changes	565,846	48,805,226	49,371,072
Balance at 30 June 2019	4,826,842	459,737,874	464,564,717

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Annual financial statements for the year ended 30 June 2019

Cashflow Statement for the period 30 June 2019

		2019	Restated 2018
	Note	R	R
Cash flows from operating activities			
Receipts		223,783,281	202,709,116
VAT refunds		13,528,958	9,403,835
Cash receipts from ratepayers and consumers		32,789,703	26,964,438
Cash receipts from grants		177,464,621	166,340,843
Payments		116,230,454	126,983,991
Cash payments to employees		52,193,534	49,816,607
Cash payments to councillors		11,200,471	10,754,630
Cash paid retentions		4,864,159	4,451,541
Cash payments to suppliers for goods and services		47,972,290	61,961,212
Net cash flows from operating activities before interest		107,552,827	75,725,126
Interest received		7,944,839	7,039,433
Interest paid		(15,418)	(1,239,187)
Net cash flows from operating activities after interest		115,482,248	81,525,372
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		417,718	-
Purchase of property, plant and equipment		(51,232,741)	(63,660,439)
Net cash flows from investing activities		(50,815,023)	(63,660,439)
Cash flows from financing activities			
Repayment of finance leases		(707,712)	(751,924)
repayment of suppliers on behalf of the principal		(31,110,243)	(20,200,000)
		(31,817,955)	(20,951,924)
Net increase in cash and cash equivalents		32,849,271	(3,086,991)
Net cash and cash equivalents at the beginning of the period		88,836,116	91,923,107
Net cash and cash equivalents at the end of the period	4	121,685,386	88,836,116

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Annual financial statements for the year ended 30 June 2019

Statement of Comparison of Budget and Actual amounts

	Original Budget	Budget Adjustments	Adjusted Budget	Virement	Final Budget	Actual	Difference between final budget and actual	Note 38
	R	R	R	R	R	R	R	
Statement of Financial Performance								
Revenue								
Revenue from exchange transactions								
Service charges	3,731,221	(941,489)	2,789,732	-	2,789,732	3,305,343	515,611	1
Rental of facilities and equipment	1,032,292	198,979	1,231,271	-	1,231,271	829,030	(402,241)	2
Licences and permits	1,198,124	197,584	1,395,708	-	1,395,708	578,385	(817,323)	3
Fair value adjustment to Investment property	-	-	-	-	-	236,000	236,000	
Other income	1,210,116	535,425	1,745,541	-	1,745,541	2,095,629	350,088	4
Gains on disposal of PPE	5,800,202	(2,028,101)	3,772,101	-	3,772,101	378,283	(3,393,818)	5
Total revenue from exchange transactions	12,971,955	(2,037,602)	10,934,353	-	10,934,353	7,422,669	(3,511,684)	
Revenue from non-exchange transactions								
Taxation revenue								
Property rates	36,214,581	(558,932)	35,655,649	-	35,655,649	31,362,107	(4,293,542)	6
Property rates - penalties	998,612	1,500,000	2,498,612	-	2,498,612	3,231,621	733,009	7
	-	-	-	-	-	-	-	
Transfer revenue								
Interest received - investment	7,358,706	-	7,358,706	-	7,358,706	7,944,839	586,133	
Government grants and subsidies	160,356,000	(6,810,879)	153,545,121	-	153,545,121	153,622,807	77,686	
Assets donated	-	-	-	-	-	332,890	332,890	
Fines, penalties and forfeits	470,232	19,774	490,006	-	490,006	1,182,510	692,504	8
Total revenue from non-exchange transactions	205,398,131	(5,850,037)	199,548,094	-	199,548,094	197,676,774	(1,871,320)	
TOTAL REVENUE	218,370,086	(7,887,639)	210,482,447	-	210,482,447	205,099,444	(5,383,003)	
Expenditure								
Employee related costs	55,356,399	(200,627)	55,155,772	-	55,155,772	52,690,534	2,465,238	
Remuneration of councillors	11,991,370	-	11,991,370	-	11,991,370	11,200,471	790,899	
Depreciation and amortisation	21,402,126	1,111,957	22,514,083	-	22,514,083	23,320,204	(806,121)	
Finance costs	502,213	(100,000)	402,213	-	402,213	106,954	295,260	9
Debt impairment	4,340,042	(2,950,042)	1,390,000	-	1,390,000	10,173,114	(8,783,114)	10
Operational costs	74,131,304	2,732,151	76,863,455	-	76,863,455	58,237,095	18,626,360	12
	-	-	-	-	-	-	-	
	-	-	-	-	-	-	-	
Total expenditure	167,723,454	593,439	168,316,893	-	168,316,893	155,728,372	12,588,521	
Net Surplus	50,646,632	(8,481,078)	42,165,554	-	42,165,554	49,371,072	7,205,518	
Actual amount on comparable basis presented in the Budget and Actual Comparative Statement								

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Statement of Comparison of Budget and Actual amounts

	Original Budget	Budget Adjustments	Adjusted Budget	Virement	Final Budget	Actual	Difference between final budget and actual	
	R	R	R	R	R	R	R	
Statement of Financial Position								
ASSETS								
Current Assets	143,428,408	26,330,065	169,758,472	-	169,758,472	147,079,272	(22,679,201)	
VAT receivable	-	-	-	-	-	464,568	464,568	13
Receivables	54,308,658	(307,356)	54,001,302	-	54,001,302	24,929,318	(29,071,984)	
Cash and cash equivalents	89,119,750	26,637,421	115,757,170	-	115,757,170	121,685,386	5,928,216	
Non-Current Assets	422,527,423	(45,224,038)	377,303,385	-	377,303,385	382,172,315	4,868,930	
Investment property	19,264,000	800,000	20,064,000	-	20,064,000	20,300,000	236,000	14
Property, plant and equipment	403,076,329	(46,242,518)	356,833,811	-	356,833,811	361,810,640	4,976,829	
Intangible assets	187,094	218,480	405,574	-	405,574	61,675	(343,899)	
Total Assets	565,955,831	(18,893,973)	547,061,857	-	547,061,857	529,251,587	(17,810,270)	
LIABILITIES								
Current Liabilities	41,430,115	41,360,000	82,790,115	-	82,790,115	47,289,621	35,500,493	
Borrowing	242,015	-	242,015	-	242,015	-	242,015	15
Trade and other Payables	41,118,100	-	41,118,100	-	41,118,100	47,289,621	(6,171,521)	
Provisions	70,000	41,360,000	41,430,000	-	41,430,000	-	41,430,000	
Non Current Liabilities	15,197,839	-	15,197,839	-	15,197,839	17,397,248	(2,199,409)	
Provisions	15,197,839	-	15,197,839	-	15,197,839	17,397,248	(2,199,409)	
Total Liabilities	56,627,954	41,360,000	97,987,954	-	97,987,954	64,686,870	33,301,084	
Net Assets	509,327,877	(60,253,973)	449,073,904	-	449,073,904	464,564,718	15,490,813	
TOTAL NET ASSETS								
Housing Operating Account	4,362,221	-	4,362,221	-	4,362,221	4,826,842	464,621	
Accumulated surplus	504,965,656	(60,253,973)	444,711,683	-	444,711,683	459,737,874	15,026,191	
Total Net Assets	509,327,877	(60,253,973)	449,073,904	-	449,073,904	464,564,717	15,490,813	

Dr Nkosazana Dlamini Zuma Municipality

Annual financial statements for the year ended 30 June 2019

Statement of Comparison of Budget and Actual amounts

Cash Flow Statement

	Original Budget	Budget Adjustments	Adjusted Budget	Virement	Final Budget	Actual	Difference between final budget and actual
	R	R	R	R	R	R	R
Receipts	194,143,179	(9,951,432)	184,191,747	-	184,191,747	223,783,281	39,591,534
VAT refunds	-	-	-	-	-	13,528,958	13,528,958
Cash receipts from ratepayers and consumers	33,787,179	(3,140,553)	30,646,626	-	30,646,626	32,789,703	2,143,077
Cash receipts from grants	160,356,000	(6,810,879)	153,545,121	-	153,545,121	177,464,621	23,919,500
Payments	134,857,384	10,543,616	145,401,000	-	145,401,000	116,230,454	29,170,546
Cash payments to employees	55,356,399	(200,627)	55,155,772	-	55,155,772	52,193,534	2,962,238
Cash payments to councillors	11,991,370	-	11,991,370	-	11,991,370	11,200,471	790,899
Cash paid retentions	-	-	-	-	-	4,864,159	(4,864,159)
Cash payments to suppliers for goods and services	67,509,615	10,744,243	78,253,858	-	78,253,858	47,972,290	30,281,568
Sub total	59,285,795	(20,495,048)	38,790,747	-	38,790,747	107,552,827	10,420,988
Interest received	8,117,651	-	8,117,651	-	8,117,651	7,944,839	(172,812)
Interest paid	(502,213)	100,000	(402,213)	-	(402,213)	(15,418)	386,795
Net cash flows from operating activities	66,901,233	(20,395,048)	46,506,185	-	46,506,185	115,482,248	10,634,971
Cash flows from investing activities							
Proceeds on disposal of PPE	5,800,202	(2,028,101)	3,772,101	-	3,772,101	417,718	(3,354,383)
Purchase of property, plant and equipment	(64,582,240)	(7,704,984)	(72,287,224)	-	(72,287,224)	(51,232,741)	21,054,483
Net cash flows from investing activities	(58,782,038)	(9,733,085)	(68,515,123)	-	(68,515,123)	(50,815,023)	17,700,100
Cash flows from financing activities							
Repayment of borrowings	-	-	-	-	-	(31,817,955)	(31,817,955)
	-	-	-	-	-	(31,817,955)	(31,817,955)
Net increase in cash and cash equivalents	8,119,195	(30,128,133)	(22,008,938)	-	(22,008,938)	32,849,270	(3,482,884)
Net cash and cash equivalents at the beginning of the period	88,836,116	-	88,836,116	-	88,836,116	88,836,116	-
Net cash and cash equivalents at the end of the period	96,955,311	(30,128,133)	66,827,178	-	66,827,178	121,685,386	(3,482,884)

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Dr Nkosazana Dlamini Zuma Municipality

Annual financial statements for the year ended 30 June 2019

Accounting Policies

1. Presentation of annual financial statements

These financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise.

Assets, liabilities, revenues and expenses are not offset, except where offsetting is either required or permitted by a Standard of GRAP.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these financial statements, is disclosed below.

1.1 Presentation currency

These financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.2 Going concern assumption

These financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.3 Significant judgments and sources of estimation uncertainty

In preparing the financial statements, management made estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. Using available information and applying professional judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements.

Receivables

The municipality assesses its receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, management makes judgement as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The provision for impairment of receivables exists due to the possibility that these debts will not be recovered. In assessing receivables for potential impairment debtors are assessed at individual level and on aggregate. Debtors with similar credit risk characteristics are collectively assessed for impairment.

Provisions

Management determines an estimate based on the information available.

Useful lives of property, plant and equipment and intangible assets

The municipality's management determines the estimated useful lives and related depreciation charges for property, plant and equipment and intangible assets in accordance with Local Government Capital Asset Management Guideline of 2008. This estimate is based on the condition and use of the individual assets, in order to determine the remaining period over which the asset can and will be used.

Effective interest rate

The municipality uses the ruling overdraft rate to discount future cash flows in the event of it being material.

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Annual financial statements for the year ended 30 June 2019

Accounting Policies

1.4 Investment property

Investment property is property held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services, or for
- administrative purposes; or for
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the provision of services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost (transaction costs are included in the initial measurement).

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Fair value

Subsequent to initial measurement investment property is measured at fair value. The fair value of investment property reflects market conditions at the reporting date. A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

1.5 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the supply of services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and the cost of the item can be measured reliably. Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost. Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment is depreciated on the straight line basis over expected useful lives to estimated residual value. Land is stated at cost and is not depreciated as it is deemed to have an indefinite useful life. The useful lives of items of property, plant and equipment have been assessed as follows:

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Accounting Policies

Asset Class	Average useful life
Infrastructure:	
Streetlights	1 - 80 Years
Roads	1 - 50 Years
Pedestrian Footways	1 - 50 Years
Community Assets:	
Office buildings	1 - 30 Years
Cemeteries	1 - 30 Years
Community centres and halls	1 - 30 Years
Libraries	1 - 30 Years
Sports and related stadiums	1 - 30 Years
Golf courses	1 - 20 Years
Flood lighting	1 - 15 Years
Park homes	1 - 15 Years
Car wash	1 - 10 Years
Houses / hostels	1 - 30 Years
Taxi rank	1 - 15 Years
Other Assets:	
Office equipment	1 - 17 Years
Office machines	1 - 7 Years
Air conditioners	1 - 10 Years
Furniture and fittings	1 - 15 Years
Fire extinguishers	1 - 10 Years
Other firefighting equipment	1 - 15 Years
Computer equipment	1 - 13 Years
Security measures	1 - 20 Years
Train	1 - 30 Years
Engine	1 - 10 Years
Generator	1 - 10 Years
Boiler	1 - 10 Years
Loud hailer / Public Address System	1 - 10 Years
Fencing	1 - 20 Years
Motor vehicles:	
Truck and light delivery vehicles	1 - 7 Years
Mini-bus and delivery vehicles	1 - 7 Years
Tractors	1 - 7 Years
Fencing	1 - 5 Years
Plant and equipment	
Graders	1 - 20 Years
Lawn mowers	1 - 20 Years
Compressors	1 - 20 Years
Firearms	1 - 20 Years
Radio equipment	1 - 10 Years

The residual value and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate. Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

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Accounting Policies

Assets under construction - Work in progress

Assets under construction are stated at historical cost . Depreciation only commences when the asset is available for use.

Leased assets

Assets capitalised under finance leases are depreciated over their expected useful lives on the same basis as Property, Plant and Equipment controlled by the municipality or, where shorter, the term of the relevant lease if there is no reasonable certainty that the municipality will obtain ownership by the end of the lease term.

1.6 Accounting by principals or agents

A principal-agent arrangement results from a binding arrangement in which one entity, the municipality, undertakes transactions with third parties on behalf, and for the benefit of, another entity, the principal. The municipality recognises increases in assets and related increases in liabilities on receipt of the related funding. The liability is reduced when the amounts are spent in accordance with fund conditions.

1.7 Intangible assets

An intangible asset is recognised when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and the cost or fair value of the asset can be measured reliably. The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Amortisation is provided to write down intangible assets, on a straight line basis, to residual values as follows:

Item	Useful life
Computer software	3 - 12 Years

Intangible assets are derecognised on disposal or when no future economic benefits or service potential are expected from use or disposal. The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount and is recognised in surplus or deficit when the asset is derecognised.

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Accounting Policies

1.8 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is cash, or a contractual right to receive cash or another financial asset from another entity or exchange financial assets or financial liabilities with another entity under conditions that potentially favourable to the entity.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another entity; or exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that the entity designates at fair value at initial recognition; or are held for trading.

Classification

The municipality has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

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Accounting Policies

Type of Financial Asset

Receivables from non-exchange transactions
Receivables from exchange transactions
Cash and cash equivalents

Classification in terms of GRAP 104

Financial asset measured at amortised cost
Financial asset measured at amortised cost
Financial asset measured at amortised cost

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Type of Financial Liability

Payables from exchange transactions
Finance lease obligation
External loan

Classification in terms of GRAP 104

Financial liability measured at amortised cost
Financial liability measured at amortised cost
Financial liability measured at amortised cost

Initial recognition

The municipality recognises a financial asset or a financial liability in its statement of financial position when it becomes a party to the contractual provisions of the instrument.
The municipality recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The municipality initially measures a financial asset and financial liability at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Subsequent measurement of financial assets and financial liabilities

The municipality measures all financial assets and financial liabilities after initial recognition at amortised cost.
All financial assets measured at amortised cost, or at cost, are subject to an impairment review.

Derecognition

Financial assets

The municipality derecognizes financial assets using trade date accounting. The entity derecognizes a financial asset only when:

The contractual rights to the cash flows from the financial asset expire, are settled or waived;

Financial liabilities

The municipality removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit. Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the municipality currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

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Accounting Policies

1.9 Impairment of non-cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either the period of time over which an asset is expected to be used by the municipality; or the number of production or similar units expected to be obtained from the asset by the municipality.

1.10 Employee benefits

Employee benefits are all forms of consideration given by the entity in exchange for service rendered by employees. Termination benefits are employee benefits payable as a result of either an entity's decision to terminate an employee's employment before the normal retirement date; or an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from the entity's actions whereby an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

Salaries, wages and social security contributions;

Short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;

Bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and

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Accounting Policies

Non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

As a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and

As an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measures the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognises the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Defined contribution plans-KZN Joint Municipal Pension fund

The municipality has a defined contribution plan with Natal Joint Municipal Pension Fund .Payments to the defined contribution plan are charged as an expense as they fall due.

Other employee benefits

The municipality provides long service awards to qualifying employees after the completion of a minimum service period.

The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations.

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:

The present value of the defined benefit obligation at the reporting date;

minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The entity shall recognise the net total of the following amounts as expense or revenue, except to the extent that another standard requires or permits their inclusion in the cost of an asset:

current service cost;

interest cost;

the expected return on any plan assets and on any reimbursement right recognised as an asset;

actuarial gains and losses, which shall all be recognised immediately;

past service cost, which shall all be recognised immediately; and

The effect of any curtailments or settlements.

1.11

Provisions and contingencies

Provisions are recognised when:

the municipality has a present obligation as a result of a past event;

It is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation;

and, a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

A provision is used only for expenditures for which the provision was originally recognised. Provisions are not recognised for future operating deficits.

Contingent assets and contingent liabilities are not recognised, but are disclosed in the notes and are reviewed at reporting date .

The municipality has an obligation to rehabilitate its landfill site in terms of its licence stipulations .The amount of the provision is recognised at the present value of the expenditure expected to be required to settle the obligation.

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Accounting Policies

1.12 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable..

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

the amount of revenue can be measured reliably;

it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;

the stage of completion of the transaction at the reporting date can be measured reliably; and

the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable. Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

Rentals

Revenue arising from the use by others of entity assets yielding rentals is recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality and the amount of the revenue can be measured reliably.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the appropriate tariff. This includes the issuing of licences, permits and the sale of tender documents.

1.13 Service charges

Waste removal is based on bin size and the number of collections. Waste removal services are billed on a monthly basis.

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Accounting Policies

1.14 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by the municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arises when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, the municipality either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Transfers

Apart from services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Debt forgiveness and assumption of liabilities

The municipality recognises revenue in respect of debt forgiveness when the former debt no longer meets the definition of a liability or satisfies the criteria for recognition as a liability, provided that the debt forgiveness does not satisfy the definition of a contribution from owners.

Revenue arising from debt forgiveness is measured at the carrying amount of debt forgiven.

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Accounting Policies

Fines

Revenue from the issuing of traffic fines is recognised when it is probable that economic benefits associated with a transaction will flow to the municipality and can be measured reliably. Revenue from traffic fines is initially recognised at fair value and subsequently tested for impairment. The revenue from traffic fines is subject to judicial process which is beyond the municipality's control.

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

1.15 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.16 Unauthorised expenditure

Unauthorised expenditure means overspending of a vote or a main division within a vote and expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the period that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.17 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the period that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.18 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.19 Housing Operating Account

The Housing Operating Account was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

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Accounting Policies

1.20 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

1.21 Events after reporting date

Events after reporting dates that are classified as adjusting events are accounted for in the annual financial statements. Events after reporting date that are classified as non-adjusting events after reporting date are disclosed in the notes to the annual financial statements.

1.22 Budget information

The annual budget is prepared on a basis which is consistent with the annual financial statements. The budget and actual amounts are included in a separate financial statement, Statement of Comparison of Budget and Actual amounts. Explanatory comments are provided in the notes to the financial statements giving reasons for variances from budget.

1.23 Related parties

Individuals as well as their close family members and /or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and /or operating decisions. Management is regarded as a related party and comprises the Councillors, the Mayor, the Executive Committee Members, the Municipal Manager, the Chief Financial Officer and all managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

1.24 Commitments

Commitments are future expenditure items of both an operating and capital nature; in respect of which the Municipality has committed funds which on execution will result in an outflow of resources embodying economic benefits. Commitments are neither recognised in the Statement of Financial Position as liabilities nor recognised in the Statement of Financial Performance as expenditure but are disclosed as future commitments in the notes to the annual financial statements.

Commitments are disclosed in respect of:

approved and contracted commitments, where expenditure has been approved and contracts have been awarded at reporting date, where the disclosure is required by the specific standard of GRAP.

Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.

Contracts that are entered into before the reporting date, but goods and services have not yet been received are disclosed in the disclosure Notes to the annual financial statements.

1.25 Value added tax

The municipality accounts for Value Added Tax on a payment basis for purchases and receipts basis for revenue.

1.26 Implementation of mSCOA

The municipality has implemented National Treasury's Municipal Standard Chart of Accounts. The new chart is designed to enhance comparability between municipalities and therefore results in information disclosed being more understandable, relevant, reliable and comparable. Due to the implementation of the new chart, certain comparative figures needed restated to allow a comparison between the current period figures and the prior year's figures that were presented based on the old municipal chart of accounts.

1.27 Heritage assets

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations. A heritage asset shall be recognised as an asset when it is probable that future economic benefits or service potential associated with the asset will flow to the entity, and the cost or fair value of the asset can be measured reliably. The municipality subsequently measures heritage assets using the cost model, cost less accumulated impairment losses.

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Accounting Policies

1. Presentation of Annual financial statements

The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

Standard of GRAP is effective for reporting periods beginning on or after 1 April 2019.

Standard	Description	Effective Date	Expected Impact
GRAP 20	Related Party Disclosures	Monday, 01 April 2019	Minimal impact.
GRAP 32	Service Concession Arrangements: Grantor	Monday, 01 April 2019	Not applicable
GRAP 108	Statutory Receivables	Monday, 01 April 2019	Minimal impact
IGRAP 17	Interpretation of the Standard of GRAP on Service Concession Arrangements Where a Grantor Controls a	Monday, 01 April 2019	Not applicable
IGRAP 18	Interpretation of the Standard of GRAP on Recognition and Derecognition of Land.	Monday, 01 April 2019	Minimal impact
IGRAP 19	Liabilities to Pay Levies	Monday, 01 April 2019	Minimal impact

Standards issued but not yet effective as the finance Minister has not determined the date.

Standard	Description	Effective Date	Expected Impact
GRAP 34	Separate Financial Statements	Date not determined	Not applicable
GRAP 35	Consolidated Financial Statements	Date not determined	Not applicable
GRAP 36	Investments in Associates and Joint Ventures	Date not determined	Not applicable
GRAP 37	Joint Arrangements	Date not determined	Not applicable
GRAP 38	Disclosure of Interests in Other Entities	Date not determined	Not applicable
GRAP 104	Financial Instruments	Date not determined	Minimal impact
GRAP 110	Living and Non-living Resources	Date not determined	Minimal impact
IGRAP 1	Applying the probability testing on initial recognition of revenue	Date not determined	Minimal impact
IGRAP 20	Accounting for adjustments to revenue	Date not determined	Minimal impact

In preparation of the these financial statements the following GRAP standards have been conceded:

Standard	Description	Effective Date
GRAP 1	Presentation of Financial Statements	Currently applicable
GRAP 2	Cash Flow Statements	Currently applicable
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors	Currently applicable
GRAP 4	The Effects of Changes in Foreign Exchange Rates	Currently applicable
GRAP 5	Borrowing Costs	Currently applicable
GRAP 6	Consolidated and Separate Financial Statements	Currently applicable
GRAP 7	Investments in Associates	Currently applicable
GRAP 8	Interest in Joint Ventures	Currently applicable
GRAP 9	Revenue from Exchange Transactions	Currently applicable
GRAP 10	Financial Reporting in Hyperinflationary Economies	Currently applicable
GRAP 11	Construction Contracts	Currently applicable
GRAP 12	Inventories	Currently applicable
GRAP 13	Leases	Currently applicable
GRAP 14	Events After the Reporting Date	Currently applicable
GRAP 16	Investment Property	Currently applicable
GRAP 17	Property Plant and Equipment	Currently applicable
GRAP 18	Segment Reporting	Currently applicable
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets	Currently applicable
GRAP 20	Related Party Disclosures	Currently applicable
GRAP 21	Impairment of Non-cash-generating Assets	Currently applicable
GRAP 23	Revenue from Non-exchange Transactions (Taxes and Transfers)	Currently applicable
GRAP 24	Presentation of Budget Information in Financial Statements	Currently applicable
GRAP 25	Employee Benefits	Currently applicable
GRAP 26	Impairment of Cash-generating assets	Currently applicable
GRAP 27	Agriculture	Currently applicable
GRAP 31	Intangible Assets	Currently applicable
GRAP 32	Service Concession Arrangements: Grantor	Currently applicable
GRAP 103	Heritage Assets	Currently applicable
GRAP 104	Financial Instruments	Currently applicable
GRAP 105	Transfer of Functions Between Entities Under Common Control	Currently applicable
GRAP 106	Transfer of Functions Between Entities Not Under Common Control	Currently applicable
GRAP 107	Mergers	Currently applicable
GRAP 109	Accounting by Principals and Agents	Currently applicable

Dr Nkosazana Dlamini Zuma Municipality

Annual financial statements for the year ended 30 June 2019

Notes to the Annual financial statements

	2019	2018
	R	R
2 Value added tax receivable		
Value added tax receivable	464,568	2,351,204
Vat represents net receivable/(payable) from/to the South African Revenue Services		
3 Receivables		
Receivables from non-exchange transactions		
<i>Gross balances</i>		
Rates	44,369,887	43,356,417
Traffic fines	1,656,531	916,056
Suppliers deposits	485,589	230,540
Other receivables	1,088,010	1,035,532
	47,600,017	45,538,545
Bad debts written off	-	2,883,123
Less: Allowance for impairment	(25,099,338)	(21,866,164)
<i>Net balances for receivables from non-exchange transactions previously stated</i>	22,500,679	26,555,503
Correction of prior year error - Rates	-	(4,454,059)
<i>Net balances for receivables from non-exchange transactions as restated</i>	22,500,679	22,101,444
Receivables from exchange transactions		
<i>Gross balances</i>		
Service charges - Refuse	5,181,646	4,508,475
Rent	469,485	412,591
VAT on amounts receivable	809,942	710,300
Sundry debtors	491,463	627,130
	6,952,535	6,258,496
Bad debts written off	-	-
Less: Allowance for impairment	(4,523,897)	(4,073,688)
<i>Net balances for receivables from exchange transactions</i>	2,428,638	2,184,808

There were no receivables from non-exchange or exchange transactions that were pledged as security. The age analysis of various categories of debtors are detailed below:

Debtors aging analysis as at 30 June 2019						
by source type	0-30 Days	30-60 Days	60-90 Days	90-120 Days	Older than 120 Days	Total
Rates	1,833,113	1,721,025	1,530,417	1,142,639	38,142,692	44,369,886
Service charges - Refuse	274,830	214,093	165,077	135,056	5,076,813	5,865,869
Rent	(20,674)	16,959	16,692	16,692	497,416	527,084
Sundry debtors	28,895	28,895	28,895	28,895	444,000	559,582
Total	2,116,164	1,980,972	1,741,082	1,323,283	44,160,921	51,322,422

Debtors aging analysis as at 30 June 2018						
by source type	0-30 Days	30-60 Days	60-90 Days	90-120 Days	Older than 120 Days	Total
Rates	2,198,146	1,818,022	1,569,207	1,504,782	31,812,201	38,902,357
Service charges - Refuse	275,632	186,995	142,396	122,042	4,365,238	5,092,303
Rent	13,539	16,180	15,671	15,535	392,077	453,002
Sundry debtors	41,530	41,529	35,518	28,996	563,216	710,789
Total	2,528,846	2,062,726	1,762,793	1,671,356	37,132,731	45,158,452

Dr Nkosazana Dlamini Zuma Municipality

Annual financial statements for the year ended 30 June 2019

Notes to the Annual financial statements

2019

2018

R

R

Debtors aging analysis as at 30 June 2019						
Aging per customer group	0-30 Days	30-60 Days	60-90 Days	90-120 Days	Older than 120 Days	Total
Government	210,047	397,105	383,203	339,926	11,841,196	13,171,477
Business	360,165	272,751	335,625	154,613	5,887,228	7,010,381
Households	742,955	668,650	538,053	409,440	15,191,470	17,550,568
Agriculture	761,929	610,121	460,432	396,565	10,430,573	12,659,619
Other	30,390	22,656	21,771	20,741	763,014	858,571
TOUR	10,679	9,689	1,998	1,998	47,440	71,805
Total	2,116,164	1,980,972	1,741,082	1,323,283	44,160,921	51,322,422

Debtors aging analysis as at 30 June 2018						
Aging per customer group	0-30 Days	30-60 Days	60-90 Days	90-120 Days	Older than 120 Days	Total
Government	823,055	635,146	570,570	556,060	7,052,372	9,637,204
Business	512,764	360,666	312,704	305,721	8,357,690	9,849,545
Households	565,967	522,539	413,181	360,976	12,896,460	14,759,123
Agriculture	605,055	523,091	447,722	431,229	8,307,219	10,314,316
Other	19,604	21,283	18,616	17,371	521,391	598,265
TOUR	-	-	-	-	-	-
Total	2,526,445	2,062,726	1,762,793	1,671,356	37,135,132	45,158,452

Reconciliation of allowance for impairment

Balance at the beginning of the period

(23,056,729)

(29,051,144)

Bad debt written off

-

2,883,123

(Contribution to the impairment) / reversal of impairment

(6,566,506)

3,111,292

Balance at the end of the period

(29,623,235)

(23,056,729)

Provision for impairment is based on the payment record of debtors. No provision is made on state debtors.

Dr Nkosazana Dlamini Zuma Municipality

Annual financial statements for the year ended 30 June 2019

Notes to the financial statements

	2019	2018
	R	R
4 Cash and cash equivalents		
Bank balances	10,500,522	3,713,121
Short-term deposits	111,183,618	85,121,616
	121,684,140	88,834,737
Cash on hand	1,246	1,379
	121,685,386	88,836,116

Cash and cash equivalents held by the entity that are available for use .

For the purpose of statement of financial position and the cash flow statement, cash and cash equivalents includes cash on hand and cash at bank net of outstanding overdraft.

The municipality does not have overdrawn current account facilities with its banker and therefore does not incur overdrawn current account fees. Short-term deposits are made for varying periods, depending on the immediate cash requirements earn interest at the respective short-term deposit rate.

The Municipality has the following bank accounts:

	Cashbook balances 30 June 2019	Bank statement balances 30 June 2019	Cashbook balances 30 June 2018	Bank statement balances 30 June 2018
Bank balances				
First National Bank Limited - Salaries bank account - 62051076688	363,117	363,117	303,529	303,529
First National Bank Limited - Primary Bank account - 62026224999	8,973,061	8,922,151	2,245,247	2,245,247
First National Bank Limited - Bank account - 52551036969	1,164,344	1,202,831	1,164,344	1,164,344
	10,500,522	10,488,099	3,713,121	3,713,121
Short-term deposits				
Investec Bank Limited-1100540834-500	43,381,639.72	43,381,639.72	449,361	449,361
First National Bank Limited business money market-62235619197	21,787,563.58	21,787,563.58	2,836,105	2,836,105
Nedbank Limited investment-03/7881098635/000020	13,094,860.11	13,094,860.11	12,318,160	12,318,160
Nedbank Limited investment-03/7881098635/000018	12,518,556.59	12,518,556.59	11,776,040	11,776,040
First National Bank Limited money market-62008452071	8,089,851.90	8,089,851.90	26,775,099	26,775,099
First National Bank Limited call deposit-62544297436	5,362,347.95	5,362,347.95	5,365,119	5,365,119
First National Bank Limited call deposit-62544294987	4,518,042.90	4,518,042.90	3,950,907	3,950,907
First National Bank Limited call deposit-74165605518	832,236.38	832,236.38	790,699	790,699
NED BANK INVESTMENT-03/7881098635/000021	706,179.83	706,179.83	-	-
FNB CALL DEPOSIT-62810888935	438,936.80	438,936.80	-	-
FNB CALL DEPOSIT-62810887119	263,152.00	263,152.00	-	-
First National Bank Limited call account-62550105011	104,955.10	104,955.10	99,171	99,171
Standard Bank Limited-052070336	85,294.92	85,294.92	87,686	87,686
Investec Bank Limited-1100540834-450	0.00	0.00	20,011,852	20,011,852
Nedbank Limited -9010975386	0.00	0.00	661,417	661,417
	111,183,618	111,183,618	85,121,616	85,121,616
	121,684,140	121,671,716	88,834,737	88,834,737

Dr Nkosazana Dlamini Zuma Municipality

Annual financial statements for the year ended 30 June 2019

Notes to the financial statements

	2019			2018		
	R			R		
5 Investment property						
	Cost /	2019		Cost /	2018	
	Valuation	Additions/Fair		Valuation	Additions/Fair	
		value			value	
		adjustments	Closing balance		adjustments	Closing balance
Investment property	20,064,000	236,000	20,300,000	20,064,000	-	20,064,000
Reconciliation of investment property - 30 June 2019						
			Opening	Additions/Fair		
			balance	value		
				adjustments	Disposals	Closing balance
Investment property	20,064,000	236,000	-	-	-	20,300,000
Reconciliation of investment property - 30 June 2018						
			Opening	Additions/Fair		
			balance	value		
				adjustments	Disposals	Closing balance
Investment property	20,064,000	-	-	-	-	20,064,000
Pledged as security:						
No investment property is pledged as security.						
Investment property consists of land held for an undeterminable future use and land and buildings held to earn rentals. There were no recent vacant land sales within Bulwer, Underberg and Creighton to support any increase in values. The values have therefore remained unchanged as at 30 June 2019.						
Details of valuation						
Investment property mainly vacant stands and land and buildings are stated at fair values, which have been determined based on valuations by an independent valuer who is registered as a Professional Valuer in terms of Section 20(2)a of the Property Valuers Profession Act 2000, and Member of the South African Institute of Valuer. The valuation was arrived at by reference to the comparable sales approach. The valuation was performed as of 30 June 2019						
6a Property, plant and equipment						
	Cost /	2019		Cost /	2018	
	Valuation	Accumulated		Valuation	Accumulated	
		depreciation			depreciation	
		and			and	
		accumulated			accumulated	
		impairment	Carrying Value		impairment	Carrying Value
Infrastructure	155,152,138	(29,314,877)	125,837,262	135,408,407	(19,120,220)	116,288,186
Community Assets	178,554,780	(17,518,948)	161,035,831	156,773,351	(11,199,183)	145,574,168
Library buildings	1,549,237	(207,946)	1,341,290	1,337,115	(141,175)	1,195,940
Machinery and Equipment	9,850,281	(1,997,989)	7,852,292	9,261,489	(1,339,077)	7,922,413
Transport	26,604,144	(7,056,636)	19,547,508	25,214,895	(3,925,357)	21,289,538
Furniture and Office Equipment	3,891,093	(1,103,401)	2,787,692	2,221,718	(674,906)	1,546,812
Leased Assets	2,941,606	(1,402,533)	1,539,073	1,915,529	(790,434)	1,125,095
Computer equipment	3,927,861	(1,084,872)	2,842,989	1,932,499	(683,093)	1,249,405
Other assets	41,299,642	(2,272,940)	39,026,702	37,799,790	(1,138,395)	36,661,395
	423,770,781	(61,960,142)	361,810,640	371,864,792	(39,011,840)	332,852,952

Dr Nkosazana Dlamini Zuma Municipality

Annual financial statements for the year ended 30 June 2019

Notes to the Financial statements

6b Property, plant and equipment

Reconciliation of property, plant and equipment - 30 June 2019

	Repairs and maintenance R	Opening balance R	Capital expenditure on completed assets R	Capital expenditure on work in progress R	Impairment of work in progress	Disposals / Write offs R	Depreciation and impairments R	Closing balance R
Infrastructure	2,201,763	116,288,186	-	19,882,873	(139,133)	-	(10,194,656)	125,837,262
Community Assets	2,350,088	145,574,168	419,993	21,535,688	(174,253)	-	(6,319,765)	161,035,831
Library buildings	1,377,796	1,195,940	-	212,122	-	-	(66,771)	1,341,290
Machinery and Equipment	113,213	7,820,115	691,090	-	-	-	(658,912)	7,852,292
Transport	1,122,912	21,289,538	1,428,685	-	-	(39,436)	(3,131,279)	19,547,508
Furniture and Office Equipment	-	1,546,812	1,669,375	-	-	-	(428,495)	2,787,692
Leased Assets	-	1,125,095	1,026,078	-	-	-	(612,099)	1,539,073
Computer equipment	-	1,249,405	1,995,362	-	-	-	(401,778)	2,842,989
Other assets	266,482	36,763,693	2,912,911	484,643	-	-	(1,134,545)	39,026,702
	7,432,255	332,852,952	10,143,493	42,115,326	(313,385)	(39,436)	(22,948,302)	361,810,640

Analysis of work in progress - 30 June 2019

	Opening balance	Capital expenditure on work in progress	Transfer to completed assets	Impairment of work in progress	Closing balance
Included with in infrastructure Assets	12,494,177	19,882,873	(29,923,380)	(139,133)	2,314,538
Included with in community Assets	6,130,134	21,535,688	(21,882,626)	(174,253)	5,608,944
Included with in library Buildings	-	212,122	-	-	212,122
Included with in other assets	102,298	484,643	(586,941)	-	-
	18,726,609	42,115,326	(52,392,946)	(313,385)	8,135,603

Included in Property, Plant and equipment - Transport are locomotive train coaches that has been sold post reporting date, 30 June 2019, for a value of R 8,1million. The carrying amount of the train coaches is R 2,5 million.

Reconciliation of property, plant and equipment - 30 June 2018									
	Repairs and maintenance R	Opening balance R	Capital expenditure on completed assets R	Capital expenditure on work in progress	Disposals / Write offs R	Depreciation and impairments	Audited Closing balance R	Correction of prior year error	Restated Closing balance
Infrastructure	1,012,933	98,383,143	-	28,692,737	-	(10,787,693)	116,288,186	-	116,288,186
Community Assets	3,787,282	136,932,474	640,690	14,134,989	-	(6,133,985)	145,574,168	-	145,574,168
Library buildings	657,136	1,270,662	-	-	-	(74,722)	1,195,940	-	1,195,940
Machinery and Equipment	227,068	8,503,394	128,292	-	-	(811,571)	7,820,115	-	7,820,115
Transport	1,178,138	12,749,815	10,949,339	-	-	(2,409,615)	21,289,538	-	21,289,538
Furniture and Office Equipment	-	1,529,309	246,324	-	-	(378,035)	1,397,599	149,213	1,546,812
Leased Assets	-	685,946	920,173	-	-	(481,025)	1,125,095	-	1,125,095
Computer equipment	-	991,891	591,716	-	-	(412,253)	1,171,354	78,051	1,249,405
Other assets	266,931	28,546,153	146,037	7,442,268	-	(624,159)	35,510,303	1,253,390	36,763,693
	7,129,487	289,592,788	13,622,571	50,269,994	-	(22,113,058)	331,372,298	1,480,654	332,852,952
Analysis of work in progress - 30 June 2018									
				Opening balance	Capital expenditure on work in progress	Transfer to completed assets	Impairment		Closing balance
Included with in infrastructure Assets				834,324	28,692,737	(17,032,885)	-		12,494,177
Included with in community Assets				14,856,506	14,134,989	(22,861,361)	-		6,130,134
Included with in library Buildings				-	-	-	-		-
Included with in other assets				6,193,203	7,442,268	(13,533,173)	-		102,298
				21,884,034	50,269,994	(53,427,418)	-		18,726,609

Dr Nkosazana Dlamini Zuma Municipality

Annual financial statements for the year ended 30 June 2019

Notes to the Financial statements

7 Intangible assets

	2019			2018		
	Cost / Valuation	Accumulate d amortisation and accumulated impairment	Carrying Value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying Value
Computer software	191,634	(129,959)	61,675	172,465	(106,840)	65,626

Reconciliation of intangible assets - 30 June 2019

	Opening balance	Additions	Amortisation	Impairment loss	Carrying value
Computer software	65,626	54,566	(23,119)	(35,398)	61,675

Reconciliation of intangible assets - 30 June 2018

	Opening balance	Additions	Amortisation	Impairment loss	Carrying value
Computer software	95,780	-	(30,154)	-	65,626

Restricted title:

All computer software are issued under licence and are restricted to the condition under which each licence is issued.

8 Finance lease obligation

	2019	2018
Minimum lease payments due		
- Within one year	819,392	528,504
- In second to fifth year inclusive	875,055	521,733
	1,694,447	1,050,237
Less: Future finance charges	(476,262)	(241,953)
Present value of minimum lease payments	1,218,184	808,284
Present value of minimum lease payments due:		
- Within one year	677,739	357,281
- In second to fifth year inclusive	540,445	451,002
	1,218,184	808,284
Non-current liabilities	540,445	451,002
Current liabilities	677,739	357,281
	1,218,184	808,284

The average lease term is 3 years. The capitalised liabilities are in respect of office equipment leased by the municipality. The lease agreements neither provide the nominal nor the effective interest rates, accordingly, internal rates of return applicable to each lease were determined and accordingly applied to amortise each of the respective lease repayments. Therefore, the average effective borrowing rate is 9%, which is subject to a 0% - 15% escalation per annum. The leases have fixed repayment terms. The agreements do not provide for contingent rental payments.

Dr Nkosazana Dlamini Zuma Municipality

Annual financial statements for the year ended 30 June 2019

Notes to the Financial statements

	2019	2018			
	R	R			
9 Payables from exchange transactions					
Trade payables	22,582,732	4,872,555			
Retention creditors - contracts	8,386,811	7,612,911			
Staff leave accrual	3,967,957	3,768,442			
13th cheque provision	1,456,199	1,371,519			
Sundry payables	5,672,844	5,523,345			
	42,066,543	23,148,772			
10 Unspent conditional grants					
	Balance at the beginning of the period	Portion of rollover not approved and deducted from equitable share	Additions during the period	Income recognised during the period as a result of grant conditions being met	Balance as at 30 June 2019
Municipal Demarcation Transition Grant	7,040,390	(1,140,000)	-	(5,900,390)	-
GIS Grant	292,621	-	-	(292,621)	-
Work study exercise	244,500	-	-	(244,500)	-
Anti-corruption Grant	171,343	-	-	-	171,341
Consolidation & migration of records	19,796	-	-	-	19,796
Financial Management Grant	-	-	3,870,000	(3,870,000)	-
Municipal Infrastructure Grant	-	-	26,666,000	(26,666,000)	-
Expanded Public Works Programme	-	-	1,596,000	(1,596,000)	-
Arts & culture - Library Grant	-	-	3,464,000	(3,464,000)	-
Department of Sport and Recreation Grant	-	-	50,000	(22,093)	27,907
Bulwer community service centre	-	-	500,000	(405,203)	94,797
	7,768,649	(1,140,000)	36,146,000	(42,460,808)	313,840
	Balance at the beginning of the period	Portion of rollover not approved and deducted from equitable share	Additions during the period	Reduction of grant as a result of grant conditions being met	Balance as at 30 June 2019
Department of Minerals and Energy - Electrification Grant	-	-	13,540,000	(13,540,000)	-
Department of Human Settlements Grant	5,185,121	-	16,616,621	(17,570,243)	4,231,500
	5,185,121	-	30,156,621	(31,110,243)	4,231,500
	12,953,770	(1,140,000)	66,302,621	(73,571,050)	4,545,339
	Balance at the beginning of the period	Portion of rollover not approved and deducted from equitable share	Additions during the period	Income recognised during the period as a result of grant conditions being met	Balance as at 30 June 2018
Municipal Demarcation Transition Grant	2,529,507	-	8,280,000	(3,769,117)	7,040,390
GIS Grant	292,621	-	-	-	292,621
Work study exercise	700,000	-	-	(455,500)	244,500
Anti-corruption Grant	171,343	-	-	-	171,343
Consolidation & migration of records	200,000	-	-	(180,205)	19,796
Financial Management Grant	-	-	3,800,000	(3,800,000)	-
Municipal Infrastructure Grant	-	-	40,066,000	(40,066,000)	-
Expanded Public Works Programme	-	-	1,877,000	(1,877,000)	-
PMS Grant	48,364	-	-	(48,364)	-
Arts & culture - Library Grant	569,020	-	2,409,000	(2,978,020)	-
Department of Sport and Recreation Grant	200,000	-	-	(200,000)	-
Promulgation of municipal by-laws	6,768,237	-	-	(6,768,237)	-
Bulwer community service centre	11,479,092	-	56,432,000	(60,142,443)	7,768,649
	Balance at the beginning of the period	Portion of rollover not approved and deducted from equitable share	Additions during the period	Reduction of grant as a result of grant conditions being met	Balance as at 30 June 2018
Department of Human Settlements Grant	5,185,121	-	-	-	5,185,121
Department of Minerals and Energy - Electrification Grant	8,424,092	(2,224,092)	14,000,000	(20,200,000)	-
	13,609,213	(2,224,092)	14,000,000	(20,200,000)	5,185,121
	25,088,305	(2,224,092)	70,432,000	(80,342,443)	12,953,770
Name of Grant	Description of Grant				
Anti-corruption Grant	This grant is to fund anti-corruption activities. Unspent portion included in current liabilities.				
Financial Management Grant	This grant is used to finance sound financial management and to pay salaries for the interns. Unspent portion included in current liabilities.				
Department of Sports and Recreation	This grant is used to subsidise the cost of running sports fields. Unspent portion included in current liabilities.				
Expanded Public Works Programme	The grant is utilised for creating of job opportunities in environmental and cultural, infrastructure and the social eradication of poverty and capacity building and skills programmes. Unspent portion included in current liabilities.				
KZN Department of Arts and Culture - Librarian subsidy	This grant was used to subsidise the cost of running the library. Unspent portion included in current liabilities.				
Municipal Infrastructure Grant	This grant was used to subsidise the cost of building infrastructure. Conditions of the grant have been met. There was no delay or withholding of the grant.				
Department of Minerals and Energy - Electrification Grant	The municipality receives funding from INEP to fund the electrification of the areas within the municipal demarcation on behalf of ESKOM.				
Demarcation Transition Grant	This grant to be used to finance the transition process on the amalgamation of Ingwe and KwaSani Municipalities to form the Dr Nkosazana Dlamini Zuma Municipality. Unspent portion included in current liabilities.				
GIS Grant	This grant to be used to finance key obstacles to the successful implementation of Geographical Information System				
PMS Grant	This grant to be used to finance the implementation of the performance management system				
Department of Sport and Recreation Grant	This grant to be used to finance the maintenance of sport facilities within the Dr Nkosazana Dlamini Zuma Municipality.				
Bulwer Community Service Centre	This grant to be used to finance the construction of the Bulwer Community Services Centre				
Department of Human Settlements grant	This grant is to be used in the implementation of the Department of Housing projects.				

Dr Nkosazana Dlamini Zuma Municipality

Annual financial statements for the year ended 30 June 2019

Notes to the Financial statements

				2019 R	2018 R
11 Provisions					
	Opening balance post adjustments	Reductions	Reversals	Contributions to provision	Closing balance
11.1 Reconciliation Provision for landfill site rehabilitation - 30 June 2019					
Environmental rehabilitation - landfill site	(8,534,680)	-	-	(271,123)	(8,805,803)
30 June 2018					
Environmental rehabilitation - landfill site	(8,042,840)	-	-	(491,840)	(8,534,680)
The provision for rehabilitation of refuse disposal sites relates to the legal obligation to rehabilitate the disposal sites. The municipality operates two landfill sites, one at Creighton and the other at Bulwer. Both these landfill sites are relatively new each with a 10 year licence issued on the 15 of September 2015 and the 26 of October 2015 respectively. Taking into account the estimated landfill site capacity the average refuse disposal per month on each landfill site; in addition to the fact that each of them has their respective licences valid till the second-half of 2025. The provision made represents the present value of estimated future rehabilitation costs for these relatively new landfill sites.					
11.2 Long service awards obligation					
Balance at the beginning of the period				2,489,000	2,124,000
Current service cost				266,000	221,000
Interest cost				214,000	246,000
Benefits paid				(226,344)	(42,000)
Actuarial gains and losses				(516,656)	(60,000)
				2,226,000	2,489,000
Current liabilities				-	-
Non current liabilities				2,226,000	2,489,000
				2,226,000	2,489,000
The municipality offers certain employees leave awards that may be exchanged for cash on certain anniversaries of commencing service determined by the length of service.					
The most recent actuarial valuation of plan assets of long service awards and the present value of the defined benefit obligation were carried out at 30 June 2018 by a fellow of the Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.					
The principal assumptions used for the purpose of actuarial valuations are as follows:					
Discount rate				Yield Curve Difference between nominal and real yield curves	Yield Curve Difference between nominal and real yield curves
Consumer Price Index (CPI)				CPI +1%	CPI +1%
Normal salary increase rate				Yield curve based	Yield curve based
Net effective discount rate					
The amount recognised in the Statement of Financial Position is as follows:					
Present value of unfunded obligations				2,226,000	2,489,000
The amounts recognised in the Statement of Financial Performance are as follows:					
Current service cost				266,000	221,000
Interest cost				214,000	246,000
Actuarial gains / (losses)				(516,656)	(60,000)
				(36,656)	407,000
Movements in the present value of the defined benefit obligation were as follows:					
Balance at the beginning of the period / year				-	-
Current service cost				266,000	221,000
Interest cost				214,000	246,000
Benefits paid				(226,344)	(42,000)
Actuarial gains and losses				(516,656)	(60,000)
				(263,000)	365,000
Movement in the present value of plan assets were as follows:					
Benefits paid				(226,344)	(42,000)
				(226,344)	(42,000)
Present value of obligation				2,226,000	2,489,000
11.3 Post retirement health care benefits obligations					
The history of experienced adjustments is as follows:					
Balance at the beginning of the period / year				5,328,000	4,856,000
Current Service cost				580,000	277,000
Current interest cost				479,000	505,000
medical contributions subsidies for continuation pensioners				(51,121)	(79,000)
Actuarial losses				(510,879)	(231,000)
				5,825,000	5,328,000

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Notes to the Financial statements

	2019 R	2018 R
<p>The municipality provides certain post-retirement health care benefits liability by funding the medical aid contribution of qualifying retired members of the municipality . According to the rules of the Medical Aid Funds, with which the municipality is associated , a member (who is on the current Conditions of service) is entitled to remain a continued member of such medical aid fund on retirement , in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operate an unfunded defined benefit plan for these qualifying employees.</p>		
<p>The most recent actuarial valuations of plan assets and present value of the unfunded defined benefit obligation were carried out at 30 June 2018 by a fellow of the Faculty of Actuaries and Fellow of Actuarial Society of South Africa. The present value of the defined benefit obligation , and the related current service costs and past service costs were measured using the Projected Unit Credit Method.</p>		
<p>The members of the post-employment benefit plan are made up as follows:</p>		
Pensioners	1	1
In-service members	91	86
<p>The liability in respect of past service has been estimated as follows:</p>		
In-service members	5,825,000	5,328,000
<p>The Municipality makes monthly contributions for health care arrangements to the following Medical Aid Schemes: Key Health, Samwumed and LA Health.</p>		
11.3 Post retirement health care benefits obligations (cont.)		
<p>The principal assumptions used for the purposes of the actuarial valuations were as follows:</p>		
Discount rate	Yield Curve Difference between nominal and real yield curves	Yield Curve Difference between nominal and real yield curves
Expected inflation	CPI +1,5%	CPI +1,5%
Health care cost inflation	Relationship between discount rate and health care inflation rate	Relationship between discount rate and health care inflation rate
Net discount rate		
<p>The amount recognised in the statement of financial position is as follows:</p>		
Present value of unfunded obligations	5,825,000	5,328,000
<p>The amount recognised in the statement of financial performance is as follows:</p>		
Actuarial losses / (gains)	(510,879)	(231,000)
Total included in employee related costs	(510,879)	(231,000)
<p>Movements in the present value of the defined benefit obligation were as follows:</p>		
Balance at the beginning of the period / year	5,328,000	4,856,000
Transferred to the municipality	-	-
Current service cost	580,000	277,000
Interest cost	479,000	505,000
medical contributions subsidies for continuation pensioners	(51,121)	(79,000)
Actuarial gains and losses	(510,879)	(231,000)
	5,825,000	5,328,000
Current liabilities	-	62,000
Non current liabilities	5,825,000	5,266,000
	5,825,000	5,328,000
12 Housing operating account		
<p>Movement in the current period / year:</p>		
Opening balance	4,260,996	3,593,012
Transfer to Municipality	-	-
Add: Interest received and further advances	565,846	667,983
Closing balance	4,826,842	4,260,996
<p>The Housing Operating Account is represented by cash and cash equivalents</p>		
	4,826,842	4,260,996

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Notes to the Financial statements

		2019 R	2018 R
13 Revenue			
Revenue comprises revenue from exchange and non-exchange transactions as follows:			
13.1 Revenue from exchange transactions			
Service charges	14	3,305,343	3,127,388
Licences and permits		578,385	1,201,367
Rental of facilities and equipment		829,030	1,201,961
Fair value adjustment to Investment property		236,000	-
Other income	15	2,095,629	1,110,797
Gain on disposal of assets		378,283	-
Interest received	16	7,944,839	7,160,369
13.2 Revenue from non - exchange transactions			
Taxation revenue			
Property rates	17	31,362,107	28,750,658
Property rates - penalties imposed	17	3,231,621	2,170,734
Transfer revenue			
Government grants and subsidies	18	153,622,807	158,275,352
Traffic fines	20	1,182,510	997,730
Assets donated		332,890	1,771,451
Adjustment to debtors provision		-	3,073,486
Total revenue		205,099,444	208,841,293
14 Service charges			
Service charges - Refuse		3,305,343	3,127,388
15 Other income			
Sale of Goods		482,206	382,665
Insurance Refund		1,173,126	12,960
Actuarial gain on provision valuations		263,000	273,000
Building Plan Approval		98,889	81,046
Pound Fees		39,258	40,014
Skills Development Levy Refund		20,610	-
Photocopies and Faxes		17,914	4,294
Clearance Certificates		625	6,536
Adjustment to leave provision		-	308,947
Cemetery and Burial		-	1,335
		2,095,629	1,110,797
16 Interest received			
Investment revenue		7,944,839	7,160,369
		7,944,839	7,160,369
17 Property rates			
Residential		7,793,706	6,739,768
State Trust Land		-	675,185
Commercial		5,154,215	7,000,487
Agricultural		7,864,982	7,399,788
State owned		6,979,662	5,752,321
PSI		3,523	26,864
Tourism & hospitality		1,943,703	-
Other properties		-	-
Vacant		1,622,315	1,156,246
Subtotal		31,362,107	28,750,659
Property rates - penalties imposed		3,231,621	2,170,734
		34,593,728	30,921,393
Valuations			
Business and Commercial		295,787,000	304,052,000
Farms - Agriculture		3,152,876,000	3,116,952,000

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	2019 R	2018 R
Farms - Commercial	6,068,000	6,068,000
Farms - Other	10,267,000	10,267,000
Farms - Residential	11,384,000	11,384,000
Industrial	18,860,000	10,860,000
Municipal Properties	71,869,000	71,869,000
Protected Areas	359,000	359,000
PSI	6,616,000	6,616,000
Public Benefit Organisation	48,563,000	48,563,000
Residential	701,014,000	720,762,000
Smallholdings - Agriculture	32,315,000	46,779,000
Smallholdings - Other	1,056,000	1,056,000
Smallholdings - Residential	93,084,000	96,226,000
State Public Service Purpose	485,211,000	483,042,000
State Trust Land	256,128,000	256,128,000
Tourism & Hospitality Rural	375,549,000	354,539,000
Tourism & Hospitality Urban	42,165,000	41,917,000
Vacant Land	109,297,000	106,391,000
Worship	61,404,000	55,504,000
	5,779,872,000	5,749,334,000

Valuation of properties within the boundaries of the Municipal area are performed every five years. The current valuation came into effect on 1 July 2017. Interim valuations are carried out to take account of changes in individual property values due to subdivisions, property improvements etc.

Valuations as previously reported

	2018 AUDITED FIGURES	CORRECTION OF ERROR	RESTATED AMOUNT
Agriculture land	3,197,489,000	(4,983,000)	3,192,506,000
Residential	734,973,000	(14,211,000)	720,762,000
State owned properties	729,024,000	10,146,000	739,170,000
Tourism & Hospitality Rural	382,484,000	(27,945,000)	354,539,000
Business & Commercial	334,429,000	(19,517,000)	314,912,000
Public Benefit Organisation	104,426,000	-	104,426,000
Vacant Land	104,351,000	2,040,000	106,391,000
Municipal	73,619,000	(1,750,000)	71,869,000
Residential (Residential Small Holding)	71,275,000	24,951,000	96,226,000
Tourism & Hospitality (Urban)	41,716,000	201,000	41,917,000
PSI	6,616,000	-	6,616,000
Other	-	-	-
Business Small Holdings	-	-	-
	5,780,402,000	(31,068,000)	5,749,334,000

18 Government grants and subsidies

Operating grants

Equitable share	111,162,000	95,908,843
Financial management grant	3,870,000	3,800,000
Demarcation transition grant	5,900,390	3,769,118
Community library services grant	3,464,000	2,978,020
Expanded public works programmes	1,596,000	1,877,000
PMS grant	-	48,364
Consolidation & migration of records	-	180,178
GIS	292,621	-
Integrated national electrical programme	-	2,224,092
Promulgation of mun by-law	-	200,000
Exercise work study	244,500	455,500
Department of Sport and Recreation Grant	22,093	-
Bulwer community service centre	405,203	-
	126,956,807	111,441,115

Capital grants

Bulwer community service centre	-	6,768,237
Municipal infrastructure grant	26,666,000	40,066,000
	26,666,000	46,834,237
	153,622,807	158,275,352

20 Traffic fines

Traffic fines	1,182,510	997,730
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Dr Nkosazana Dlamini Zuma Municipality
Annual financial statements for the year ended 30 June 2019

Notes to the Financial statements

	2019 R	2018 R
21 Employee related costs		
Salaries and wages	39,206,495	37,068,530
Bonus paid and bonus provision	2,615,797	2,617,644
Contribution to medical aid schemes, pension funds, UIF and SDL	8,155,206	7,331,018
Leave pay and provision charge	929,253	1,460,233
Travel and car allowances	363,975	657,272
Overtime payments	1,253,541	1,127,494
Housing benefits and other employee related costs	166,267	236,969
	52,690,534	50,499,161
Remuneration of the Municipal Manager		
Annual remuneration	866,787	978,560
Travel, housing and other allowances	180,000	252,000
Contribution to medical aid, pension fund and UIF	197,928	171,104
	1,244,715	1,401,663
Remuneration of the Chief Financial Officer		
Annual remuneration	769,817	885,342
Back pay	136,128	-
Travel, housing and other allowances	103,506	189,870
Contribution to medical aid, pension fund and UIF	34,326	33,528
	1,043,778	1,108,740
Remuneration of the Public Works and Basic Services Manager(with effect from 1 March 2019)		
Annual remuneration	278,721	702,077
Travel, housing and other allowances	-	135,450
Contribution to medical aid, pension fund and UIF	-	26,509
	278,721	864,036
Remuneration of the Community Services Manager (with effect from 1 June 2019)		
Annual remuneration	69,680	735,596
Travel, housing and other allowances	-	-
Contribution to medical aid, pension fund and UIF	-	59,603
	69,680	795,199
Remuneration of the Corporate Services Manager		
Annual remuneration	785,219	972,064
Back pay	132,558	-
Travel, housing and other allowances	126,000	126,000
Contribution to medical aid, pension fund and UIF	-	1,884
	1,043,778	1,099,948

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Notes to the Financial statements

	2019 R	2018 R
22 Remuneration of Councillors		
Mayor		
Annual remuneration	719,782	693,190
Travel, housing and other allowances	44,400	44,400
Contribution to medical aid, pension fund and UIF	108,352	103,978
	872,534	841,568
Deputy Mayor		
Annual remuneration	575,826	554,552
Travel, housing and other allowances	44,400	44,400
Contribution to medical aid, pension fund and UIF	86,682	83,183
	706,908	682,135
Speaker		
Annual remuneration	575,826	554,552
Travel, housing and other allowances	44,400	44,400
Contribution to medical aid, pension fund and UIF	86,682	83,183
	706,908	682,135
Councillors		
Annual remuneration	6,075,156	5,208,607
Travel, housing and other allowances	1,996,473	2,626,864
Contribution to medical aid, pension fund and UIF	842,493	713,320
	8,914,121	8,548,792
Total remuneration of councillors	11,200,471	10,754,630
In-kind benefits:		
The Mayor, Deputy Mayor, Speaker and two Exco members are full-time. The Mayor, Deputy Mayor, and Speaker are provided with an office and secretarial support at the cost of the municipality. Councillors were paid within the Upper Limits envisaged in section 219 of the constitution and Government Gazette 42134 dated 21 December 2018. The Mayor and Speaker are provided with municipal vehicles at the cost to the council.		
23 Depreciation and amortisation		
Property, plant and equipment	23,261,689	22,171,697
Intangible assets	58,516	30,154
	23,320,204	22,201,851
24 Finance costs		
Interest paid on finance leases	91,535	1,199,370
Interest paid on other transactions	15,418	39,818
	106,954	1,239,187
25 (Reversal of impairment on) / impairment of trade debtors		
Bad debt - Contribution to the impairment	6,572,712	-
Bad debt - Written off	3,600,402	-
	10,173,114	-
Reversal of impairment on debtors represents a reversal of previous impairment of trade consumers which are no longer impaired.		
26 Operational costs		
Accounting and Auditing	1,440,919	1,282,315
Achievements and Awards	791,646	127,180
Administrative and Support Sta	911,784	-

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Annual financial statements for the year ended 30 June 2019

Notes to the Financial statements

	2019 R	2018 R
Advertising, Publicity and Marketing	100,993	3,007,496
Animal Care	14,507	-
Artists and Performers	48,000	98,000
Audit Committee	297,898	210,861
Bank Charges	167,325	119,961
Bargaining Council	617,265	639,597
Bursaries (Employees)	353,628	1,198,247
Bursaries (Non-employees)	330,709	1,026,246
Business and Advisory	2,081,008	1,018,397
Catering Services	2,198,787	1,672,611
Cleaning Services	308,144	205,527
Commissions and Committees	8,398	42,376
Communication	6,923	-
Consultants and Professional Services	1,188,987	967,211
Consumables	581,663	555,735
Contractors/Repairs and maintenance	7,432,255	7,129,487
Courier and Delivery Services	284,112	244,850
Deeds	12,695	10,620
Drivers Licences and Permits	6,762	-
External Audit Fees	1,745,039	1,888,777
Fire Services	1,404,518	1,191,733
Gardening Services	10,500	7,498
Geoinformatic Services	590,940	221,100
Hire Charges	1,308,045	802,556
Indigent Relief	1,876,451	2,327,669
Insurance Underwriting	2,012,298	1,564,345
Land	446,376	50,383
Legal Advice and Litigation	158,446	367,701
Materials and Supplies	149,606	705,317
Motor Vehicle Licence and Registration	258,444	100,633
Municipal Services	2,017,028	1,862,660
Occupational Health and Safety	30,894	1,830
Parking Fees	15,227	9,976
Printing and Publications	2,200,293	1,117,597
Professional Bodies and Membership	12,478	21,547
Refuse Removal	1,166,145	1,313,224
Registration Fees	331,581	3,279
Remuneration to Ward Committees	720,500	943,500
Security Services	6,392,170	4,402,264
Signage	54,487	13,690
Specialised Computer Service	2,407,037	503,422
Telephone, Fax, Telegraph	2,067,931	1,894,822
Training	-	582,294
Transportation	1,520,370	1,930,628
Travel and Subsistence	4,311,521	5,276,494
Uniform and Protective Clothing	674,309	850,642
Property valuation fees	198,714	230,248
Wet Fuel	3,510,364	2,631,026
	56,776,119	52,373,571
27 Repairs and maintenance of property, plant and equipment		
Repairs and Maintenance - Libraries	1,377,796	657,136
Repairs and Maintenance - Plant and Equipment	113,213	227,068
Repairs and Maintenance - Infrastructure	2,201,763	1,012,933
Repairs and Maintenance - Community	2,350,088	3,787,282
Repairs and Maintenance - Other	266,482	266,931
Repairs and Maintenance - Vehicles	1,122,912	1,178,138
	7,432,255	7,129,487
Repairs and maintenance		
Amounts paid to service providers	7,432,255	7,129,487
Amounts spent on Materials	-	-
Time spent by employees	-	-
	7,432,255	7,129,487

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Notes to the Financial statements

	2019 R	2018 R
28 Cash generated from operations before interest		
Surplus for the period / year	49,371,072	70,035,516
Adjustment for:		
Depreciation and amortisation	23,320,204	22,143,213
Finance costs	106,954	1,239,187
Movement in provisions	257,840	1,328,840
Interest received	(7,944,839)	(7,160,369)
Gain on disposal of assets	(378,283)	-
Debt impairment provision	10,146,420	-
Assets donated by Arts and Culture	(332,890)	(1,771,451)
Other income	(17,483)	-
Operating surplus before working capital changes	74,528,995	83,590,843
Working capital changes		
Increase in receivables	3,810,994	(19,922,805)
Decrease in Value Added Tax receivable	1,886,636	1,193,687
(Increase)/decrease in payables from exchange transactions	18,917,772	(5,224,961)
movement in unspent conditional grants and receipts	8,408,431	11,575,664
Cash generated from operations before interest	107,552,827	71,212,428
29 Commitments		
Authorised capital expenditure		
Approved and contracted		
- Infrastructure assets	3,024,804	8,246,742
- Community assets	11,984,793	1,741,433
- Library assets	3,367,635	-
	18,377,232	9,988,175
Operating commitments		
Operating expenditure	7,978,172	9,183,385
	7,978,172	9,183,385
Total commitments	26,355,405	19,171,560
This expenditure will be financed from:		
Government grants	18,377,232	9,988,175
Own resources	7,978,172	9,183,385
	26,355,405	19,171,560
30 Unauthorised expenditure		
Opening balance	21,451,388	21,451,388
Unauthorised expenditure - current period	-	-
Unauthorised expenditure - written off by council	(21,451,388)	-
Closing balance	-	21,451,388
31 Fruitless and wasteful expenditure		
Opening balance	3,458,730	3,447,040
Fruitless and wasteful expenditure - current period	15,418	11,690
Fruitless and wasteful expenditure - written off by council	(3,458,730)	-
Closing balance	15,418	3,458,730

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Notes to the Financial statements

	2019 R	2018 R
32 Irregular expenditure		
Opening balance	70,428,623	59,566,215
Irregular expenditure - current period (emanating from prior year(s))	-	9,204,014
Irregular expenditure - current period	3,529,490	1,658,394
Irregular expenditure - written off by council	(70,428,623)	-
Closing balance	<u>3,529,490</u>	<u>70,428,623</u>
Refer to detailed analysis of current year irregular expenditure below:		
SCM policy 13 (1)(c) - Declaration of interest not received from suppliers	-	209,128
SCM policy 29(2) - BAC not properly constituted	-	8,490,240
SCM policy 32(1) (c) - procurement processes not followed	-	882,803
SCM regulation 46(2)(e) - Suppliers in which close family members/business partners or associates of employees have an interest	-	456,180
Preferential Procurement Regulations 4(3) - functionality not advertised	-	-
Preferential Procurement Regulations 8(5) - Threshold for local production not met	3,529,490	824,058
Tax clearance not obtained	-	-
Construction Industry Development Regulations 18(1) award to incorrect CIDB category	-	-
	<u>3,529,490</u>	<u>10,862,408</u>
The amount of R70.4 Million has not been condoned by National Treasury as required by Sec 170(2) of the Municipal Finance Management Act.		
33 Additional disclosure in terms of the Municipal Finance Management Act		
33.1 Contributions to organised local government		
Current period / year subscription	<u>636,984</u>	<u>639,597</u>
33.2 Audit fees		
Current period	1,745,039	2,058,050
Amount paid in the current period	<u>(1,745,039)</u>	<u>(2,058,050)</u>
	<u>-</u>	<u>-</u>
33.3 PAYE, UIF and SDL		
Opening balance	-	-
Current period amount	8,196,409	7,998,443
Amount paid in the current period	<u>(8,196,409)</u>	<u>(7,998,443)</u>
Balance unpaid included in creditors	<u>-</u>	<u>-</u>
33.4 Pension and medical aid deductions		
Opening balance	-	-
Payroll deductions	7,334,260	11,525,963
Amount paid in the current period	<u>(7,334,260)</u>	<u>(11,525,963)</u>
Balance unpaid included in creditors	<u>-</u>	<u>-</u>
33 Additional disclosure in terms of the Municipal Finance Management Act		
33.5 VAT		
Vat receivable	<u>464,568</u>	<u>2,351,204</u>
The net of VAT input payables and VAT output receivables are shown in note 2. All VAT returns have been submitted by the due date throughout the period.		
34 SCM Deviations		
Details of Section 36 deviations		
Reported to council	<u>2,582,053</u>	<u>5,916,840</u>
	<u>2,582,053</u>	<u>5,916,840</u>

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports the said deviations to the next meeting of Council and includes a note to the Annual financial statements. All deviations are reported to Council on a quarterly basis with a detailed schedule and reasons thereto.

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Notes to the Financial statements

35 Risk Management

35.1 Financial management risk

The municipality's activities expose it to a variety of financial risks: cash flow risk, credit risk and liquidity risk.

The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

The Directorate : Budget and Treasury Office monitors and manages the financial risks related to operations through internal policies and procedures . These risks include interest rate risks , credit risks and liquidity. Compliance with policies and procedures is reviewed continuously by the internal auditors and interim by external auditors. The municipality does not enter into or trade financial instruments for speculative purposes.

Internal auditors responsible for initiating a control framework and monitoring and responding to potential risks , reports to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit.

35.2 Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments cash flow forecasts and credit facilities.

The table below analyses the municipality's financial liabilities at the date of statement of financial position. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months and beyond 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 Year	Over 1 Year and not more than 5 Years	Over 5 Years	Total
Maturity profile - 30 June 2019				
Finance lease obligations	677,739	540,445	-	1,218,184
Trade payables	42,066,543	-	-	42,066,543
Total	42,744,282	540,445	-	43,284,728
	Less than 1 Year	Over 1 Year and not more than 5 Years	Over 5 Years	Total
Maturity profile - 30 June 2018				
Finance lease obligations	357,281	451,002	-	808,284
Trade payables	23,148,772	-	-	23,148,772
Total	23,506,053	451,002	-	23,957,055

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Annual financial statements for the year ended 30 June 2019

Notes to the Financial statements

	2019	2018
	R	R
35 Risk Management (cont.)		
35 Credit risk		
<p>Credit risk consists mainly of cash deposits, cash equivalents, and receivables. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter- party.</p>		
<p>Receivables comprise a widespread customer base. Management evaluates credit risk relating to customers on an ongoing basis taking into account nature of debtor, past experience and other factors.</p>		
<p>Financial assets exposed to credit risk at year end were as follows:</p>		
Financial instruments		
Receivables from non-exchange transactions	22,500,679	22,101,444
Receivables from exchange transactions	2,428,638	2,184,808
Bank, and cash equivalents	121,685,386	88,836,116
	<u>124,114,024</u>	<u>91,020,924</u>
35 Interest rate risk		
<p>As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.</p>		
<p>The municipality's interest rate risk arises from short term investments. Investments are made at variable rates and are exposed to cash flow interest rate risk.</p>		
<p>At the end of the accounting period / year end, financial instruments exposed to interest rate risk were Call Deposits and Notice Deposits.</p>		
36 Related parties		
<p>Relationships</p>		
Compensation to the Accounting Officer, other Key Management and to Councillors:		
Accounting Officer and other key management	3,680,671	5,269,586
Councillors	11,200,471	10,754,630
	<u>14,881,142</u>	<u>16,024,217</u>
37 Contingencies		
Contingent asset		
<p>A contingent asset exists representing a possible recovery of Municipal funds frequently disbursed from the Municipality's bank account by a former employee of the institution</p>		
Contingent Liability		
<p>The municipality is involved in a legal dispute with a service provider over a supplier of incorrect material, a letter of demand has been received. The claim is to the value of R25 992 plus interest and legal costs, the matter is still pending.</p>		

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Annual financial statements for the year ended 30 June 2019

Notes to the Financial statements

	2019 R	2018 R
38 Comparison of actual to budgeted results		
Statement of Financial Performance		
1 Service charges - more service charges especially refuse collected than anticipated.		
2 Rental of facilities and equipment is dependent demand, and in the year ended 30 June 2019 the municipality let out less than anticipated.		
3 The high number of community members using the office dropped down for the learners licences. Licences and permits are dependent on demand in the year ended 30 June 2019 demand was less than anticipated, furthermore the traffic office in the Himeville was closed for a duration of time in the current year.		
4 Other income - Insurance claims due to unforeseen circumstances were received.		
5 A resolutions was take to dispose of the train coaches classified as transport assets in the year under review, the auction for this asset started late in April and at year end was still in progress, therefore not concluded in the year under review. The winning offer is at R 8,1million.		
6 Property rates - Inaccurate projection due to delay in finalisation of supplementary roll.		
7 Property rates penalties - More penalties were lieved than anticipated as a result of the growing gross debtors book, which means that the actual performance was better than budgetted.		
8 Fines, penalties and forfeits - More traffic fines were issued than anticipated, actual performance was better than the standard.		
9 Finance charges - Lease agreements are concluded later then expected leading to lesser finance charges being paid for.		
10 Debt impairment provision - this is due to the growing gross debtors book.		
11 Bad debt written off - Natal Middlends was insolvent and was taken to court by his creditors to recover the debt, as per the court ruling the municipality only recovered R 2Million out of R 5.6Million and the municipality had to write off the remaining debts.		
12 Operational costs - work that was budgetted to be performed by service providers was performed internally.		
Statement of Financial Position		
13 More money owed to the municipality due to low percentage of payments from ratepayers		
14 Intangible assets - Less purchase of intangible assets than anticipated and a further reductions due to impairment was identified.		
15 More creditors were paid for the work performed		
Statement of cash flows		
16 Cash payments to suppliers for goods and services - Work that was budgetted to be performed by service providers was performed internally.		
17 Interest paid - Lease agreements are concluded later then expected leading to lesser finance charges being paid for.		
39 Events after the reporting date		
Included in Property, Plant and equipment - Transport are locomotive train coaches that have been sold post reporting date, 30 June 2019, for a value of R 8,1million. The carrying amount of the train coaches is R 2,5 million.		

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Annual financial statements for the year ended 30 June 2019

Notes to the Financial statements

	2018 R	2017 R
39 Prior period errors		
During the year the following errors were identified in the prior year financial statements:		
Receivables		
<i>Net balances for receivables from non-exchange transactions previously stated</i>	26,555,503	
In July 2017, when the general valuation roll was being implemented Ingonyama trust properties were erroneously classified as billable properties.	(4,454,059)	
<i>Net balances for receivables from non-exchange transactions as restated</i>	<u>22,101,444</u>	
Property, plant and equipment		
<i>Property, plant and equipment previously stated</i>	331,372,297	
Assets transferred from the department of arts and culture to the municipality were identified during verification of assets in June 2018 and were not added to the register due to insufficient documentation being received regarding the transfer.	1,480,654	
<i>Property, plant and equipment as restated</i>	<u>332,852,952</u>	
The effects of the above mentioned errors on the 2018 financial results are as follows:		
Statement of Financial Performance for period ended 30 June 2018		
Decrease in property rates	(4,454,059)	
Increase in donated assets	1,539,294	
Increase in depreciation and amortisation	(58,639)	
	<u>(2,973,405)</u>	<u>-</u>
Statement of Financial Position		
Decrease in receivables from non-exchange transactions	(4,454,059)	
Increase in property plant and equipment	1,480,654	
	<u>(2,973,405)</u>	<u>-</u>